Customer Commitment as a Mediating Variable between Corporate Brand Image and Customer Loyalty

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Abstract: Research has shown that corporate image is an important determinant of customer loyalty. Having a positive corporate brand image helps companies achieve performance goals, such as higher sales, whereas having a poor brand image can be disastrous because it can cause companies to lose customers. A strong brand with high equity will have a large number of committed customers, many of whom will have frequent and ongoing interaction and communication with the company owning the brand. Customer commitment to a brand stems from trust in the brand, shared values with the company owning the brand, and a belief that it would be difficult to find other brands that could provide the same value. Customer loyalty also encourages companies to cooperate with their business partners to preserve their investment in the business relationship. Committed customers have a more positive impression of their relationship with the company and indicate strong intentions to remain in the relationship. The researchers conducted a survey among respondents from the automobile sector in Taiwan, and obtained 170 usable responses. The researchers designed the questionnaires to analyze normality, convergent, and discriminant validities by using the structural equation model of PASW 18 and AMOS 18.0. The research found that commitment is a partial mediator between corporate brand image and customer loyalty. Future studies might measure other dimensions to test their mediating effect on customer loyalty, and these studies might use different designs to examine the mediator effect posited by various theories, such as trust added, to explore other determinants of loyalty. Such research can inform decisions made to increase and maintain long-term customer satisfaction.

Keywords: Corporate brand image, commitment, customer loyalty, mediating

1. Introduction

This study is following a previous study that the impact of brand image and customer commitment on loyalty: an empirical study of automobile sector. De Chernatony and Harris (2000) mentioned that a positive corporate brand image helps companies achieve higher overall performance, including higher sales, whereas a poor brand image can be disastrous because it can cause companies to lose customers (Ogba & Tan, 2009). Marketing exists to deliver more value to satisfy customers while building long-term
and mutually profitable relationships with customers (Kotler, 2005). Corporate image has been assessed as an important determinant of customer loyalty (Wu, 2011). Martineau (1958) stated that if consumers have a favorable image of a store, they will probably develop a certain degree of loyalty to that store. Selnes (1993) also confirmed the influence of corporate brand image on brand loyalty. However, Davies and Chun (2002) found that corporate brand image has an indirect influence on brand loyalty, through customer satisfaction, when personality traits are used to represent corporate brand image in an offline setting.

Customer commitment can be defined as commitment to an organization or the things associated with that organization, like its brands, brand image, and brand reputation. The concept of customer commitment also includes the idea that customers can express their feelings about a brand and their desire to remain loyal to the brand in addition to simply making repeat purchases of its products (Ogba & Tan, 2009). Aaker (1997) suggested that a strong brand with high equity will have a large number of committed customers, leading to frequent and continuous interaction and communication between customers and the brand owners. With loyal customers, companies can have higher market share and reduce their operating costs (Aaker, 1997). With loyal customers, companies can increase their revenues because loyal customers are less price sensitive. For example, in the personal insurance industry, loyal customers remain with their insurers even when their premiums increase at a rate of 8% annually (Reichheld & Teal, 1996). The ultimate responsibility for a company’s efforts to build customer loyalty generally falls on the company’s central marketing activities (Eakuru & Mat, 2008; Oliver, 1997).

Morgan and Hunt (1994) mentioned that commitment are from trust, shared values and belief that is difficult to find other partners who can provide same values, and it encourages to cooperate with partners in order to preserve investments in the relationship. Rauyruen and Miller (2007) posited that commitment as “a psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed” (p. 3). It is necessary understanding trust and commitment to build this long-term relationship because businesses need customers who are committed while offering core service benefit to customers (Vuuren, Roberts-Lombard & Tonder, 2012). Thompson and Thompson (2003) indicated that if the issues are correctly, it will make the customer developing long-term relations for creating loyalty with the business, and higher levels of commitment are expected with relationship success (Cai & Wheale, 2004). More committed customers lead to a positive impression of the relationship, and these customers show strong intentions to stay in the relationship (Du Plessis, 2010).

Day (1969) introduced the concept of commitment-to-loyalty studies and reported that commitment to the brand is necessary to create loyalty. Brand commitment is the factor that is most strongly predictive of customer loyalty (Bowen & Shoemaker, 2003; Eakuru & Mat, 2008; Ibrahim & Najjar, 2008). Therefore, customer loyalty is a consequence of customer commitment (Dorsch, Swanson, & Kelley, 1998; Ibrahim &
There are many researchers who measure two-dimension relationships, such as corporate image and customer loyalty; corporate image and customer commitment; or customer commitment and customer loyalty. Only few researchers test the three dimensions. The study seeks to measure whether or not customer commitment is a mediator between brand image and customer loyalty. Therefore, the purpose of study is to evaluate how customer commitment as a mediating variable between corporate brand image and customer loyalty.

2. Literature Review

**Corporate brand image:** A firm may have various images that differ according to a specific group, such as clients, employees, and shareholders (Nguyen, Leclerc, & LeBlanc, 2013). Davies, Chun, Da Silva and Roper (2003) reported that anything can be a brand, such as a company, corporate or name. Pope, Voges and Brown (2009) pointed out that corporate image is considered as a portrait that incorporates of beliefs, ideas, and impressions; and the portrait can be the results of purchasing experiences and buying goods (Andreassen & Lindestad, 1998). Keller (1993) defined brand image is a perception about a brand held in consumer memory. Corporate brands are intangible assets for companies that are difficult to imitate, and it is different from products brands as emphasizing the important of brand values (De Chernatony, 1999). This is often based on symbols that are developed over a long period of time and that are rooted in psychological associations. However, in some circumstances, a corporate image can change very rapidly because of technological advances (Nguyen, Leclerc, & LeBlanc, 2013). Ind (1997) reported that when consumers purchase products from a company, they not only buy products but also receive a set of values from that company. A corporate brand is the sum of the values representing that company (Ind, 1997), and a positive corporate brand image not only helps a company to become more competitive but also encourages consumers to make repeat purchases of its products (Porter & Claycomb, 1997). Consumers with a more favorable image of a company perceive the company's products to be higher in quality and value, and such customers are more satisfied with and loyal toward that company's brands (Johnson, Andreessen, Lervik, & Cha, 2001).

**Customer commitment:** The level of customer commitment to a company is indicated by the expected outcome of a new product launch by that company, the actual sales of the company's product, and the strength of customers' psychological identification with the company's brand (Ogba & Tan, 2009). Moorman, Zaltman, and Deshpande (1992) reported that customer commitment is an enduring attitude toward and connected to a particular firm, brand, or product. Commitment can be an enduring desire by a business partner to maintain a valued relationship with another (Morgan & Hunt, 1994; Moorman, Zaltman, & Deshpande, 1992). A distinction is made between two types of Commitment can be distinct into two types of affective and continuance commitment (Marshall, 2010). Affective commitment is to maintain a relationship and based on loyalty and affiliation (Gundlach, Achrol & Mentzer, 1995), and if a customer is affectively committed, they would like to buy more services from suppliers (Marshall, 2010).
Continuance commitment focuses on termination, or switching costs (Kumar, 1996), and if customers tend to calculative commitment, they will not purchase additional services (Marshall, 2010). Ogba and Tan (2009) examined the effects of brand image on customer loyalty and commitment in China. They employed ANOVA and correlation analysis, and their findings support the hypotheses that brand image positively influences customer loyalty and boosts customer commitment. However, the study did not examine the relationship between customer commitment and loyalty.

Customer loyalty: Customer loyalty is a strategy that creates mutual rewards to benefit firms and customers (Reichheld & Detrick, 2003). Oliver (1999) pointed out that loyalty has been defined as “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand or same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior” (p.34). Consumer loyalty is one of the important keys to organizational success and profits (Oliver, 1997). When companies have loyal customers, companies can maximize their profits because loyal customers are willing to (1) purchase more frequently; (2) spend money on trying new products or services; (3) recommend products and services to others; and (4) provide sincere suggestions to companies (Reichheld & Sasser, 1990). Thus, loyalty is correlated to the success and profitability of a firm (Eakuru & Mat, 2008). Oliver (1997) reported that there are four stages a customer must undergo to become a loyal customer: (1) development of a cognitive sense (belief), (2) development of the affective sense (favored attitude), (3) a conative stage in which consumers develop a behavioral intention, and finally (4) action. Loyal customers can be described as consumers who repeatedly purchase the same brands, but brand loyalty cannot be measured solely by this buying behavior because it may be influenced by other variables such as social norms (Ajzen & Fishbein, 1980) and situational factors (Smith & Swinyard, 1983).

Understanding loyalty can be based on the consumers’ decisions to buy by a conscientious assessment of available brands (Nguyen, Leclerc, & LeBlanc, 2013). Customer loyalty is commonly distinguished in three approaches including behavioral loyalty approach (Grahn, 1969); attitudinal loyalty approach (Bennett & Rundle-Thiele, 2002; Jacoby, 1971; Jacoby & Chestnut, 1978), and integration of attitudinal and behavioral loyalty approach (Dick & Basu, 1994; Jacoby, 1971; Jacoby & Chestnut, 1978; Oliver, 1997). The attitudinal loyalty helps to examine the factors of loyalty, to avoid switching behavior (Caceres & Paparoidamis, 2007), and to predict how long customers will remain loyal (Jacoby & Chestnut, 1978). Therefore, viewing loyalty as an attitude-behavior relationship allows integrated investigation of antecedents and consequences of customer loyalty (Dick & Basu, 1994).

3. Methodology

Based on the literature review, the theoretical propositions inform the development of a research hypothesis that the relationship between corporate brand image and customer loyalty is mediated by customer commitment. Our hypothetical model is as follows.
Instrumentation: The researchers developed a four-part questionnaire to measure the research variables. In the questionnaire, we designed seven items to examine corporate brand image according to the theories of Ind (1997) as well as De Chernatony and Harris (2000). We designed six additional items to examine customer commitment according to the theories of Ogba and Tan (2009) and Morgan and Hunt (1994), and we developed six more items to test customer loyalty according to the theory of Reichheld and Sasser (1990). We measured all variables by means of a five-point Likert scale ranging from strongly agree (5) to strongly disagree (1).

These sociodemographic variables and the coding schemes used include the following:

- Gender: 1 = male; 2 = female
- Age: 1 = under 25; 2 = 25–40; 3 = 41–55; and 4 = over 55
- Education: 1 = high school diploma or equivalent; 2 = associate's degree; 3 = bachelor's degree; and 4 = graduate degree
- Annual income: 1 = under $15,000; 2 = $15,000–$25,000; 3 = $25,001–$35,000; and 4 = above $35,000

Population: The survey was distributed to customers of two Toyota dealerships in the Taipei area. A random sampling plan was used to select participants. When customers agreed to participate, they were given a survey questionnaire on a clipboard and returned the questionnaire to researchers after they had finished answering.

Methods of data analysis: Most previous studies have employed regression analysis (Baron & Kenny, 1986; Judd & Kenny, 1981) or structural equation modeling (SEM) to measure mediating variables. Although these are two different statistical methods, both are similar in concept to test mediation. Baron and Kenny (1986) stated that there are four steps in establishing mediation, and the current study employs these steps. Hair, Black, Babin, and Anderson (2010) indicated that SEM has become a popular multivariate approach because it provides a conceptually appealing means of assessing theories. AMOS software (version 18.0), which includes an SEM package with maximum likelihood estimation, was used to test both the measurement and the structural models that relate to the research hypotheses listed. The present research also made use of a number of criteria to determine which items to include in the analysis and the goodness of fit of the model.
4. Results

Of the 170 respondents, 125 (73.5%) were male and 45 (26.5%) were female. Thirty-one (18.2%) of the respondents were under 25 years old, 40 (23.5%) were between the ages of 26 and 40, 61 (35.9%) were between 41 and 55, and 38 (22.4%) were older than 55. Twenty (11.8%) respondents had a high school diploma or equivalent, 35 (20.6%) held an associate’s degree, 81 (47.6%) held a bachelor’s degree, and 34 (20.0%) had a graduate degree. In the study, 6 (3.5%) respondents had an annual income under $15,000, 59 (34.7%) had an annual income between $15,000 and $25,000, 86 (50.6%) had an annual income between $25,001 and $35,000, and 19 (11.2%) had annual income above $35,000.

**EFA:** The three dimensions and 19 items were evaluated by EFA. For the first-time EFA, all items of the factor loadings less than .50 were deleted. For the second-time EFA, the Kaiser-Meyer-Olkin (KMO) value of the variables used was .939, indicating that the data from the results were sufficiently robust to allow EFA. The values of Bartlett’s test were $\chi^2 = 1983.305$, $df = 105$, and $p = .000$, which implies that all the items in this study were sufficient for research in social science and for factor analysis. The extraction and rotation sums of the squared loading of the total variance explained were 74.321%. Five items remained for each dimension, and therefore could now be applied.

**Reliability:** The three dimensions of Cronbach’s coefficient alpha were between .899 and .915, which surpassed the criteria and indicated an internal reliability of the consistency of the instruments used in the present study that was appropriate for research in social science. As a result of EFA, three factors and 15 items were therefore derived to identify the construct. All the items are as appendix A.

**Univariate / Multivariate Normality:** The univariate normality of the skewness and kurtosis values and the multivariate normality were used to assess the normality. The most commonly used critical values of univariate normality are ±3 and ±10 (Kline, 1998). In the study, all the values of skewness were between .211 and .544, and the values of peakedness lay between .133 and 1.097. The Mardia statistic is a multinormality measurement, and it is constructed as a test based on skewness and kurtosis. Bollen (1989) indicated that if the value of Mardia is smaller than $p (p + 2)$, with $p$ indicating the number of observed variables, then all dimensions have multinormality. In the study, the value of Mardia is 17.348, which is less than 15 (15 + 2), indicating multivariate normality distribution.

**Convergent Validity:** In the structural models, all the factor loading estimates were higher than .76, the composite reliability (CR) values ranged from .908 to .912, and the extracted average values of variance lay between .663 and .674. This evidence supports the convergent validity of the measurement model.

**Discriminant Validity:** Bagozzi and Phillips (1982) stated that metrics support discriminant validity if the upper and lower limits of the computed confidence interval do not include the number 1. In the
present research, a model was constructed for each of the three paired correlations of the latent variables. Then, the correlation between the two constructs was set to 1, and a 95% confidence interval was applied as a bootstrap. As a result, all values of paired correlations of the latent variables were between .573 and .905; the number 1 is not included within the upper and lower limits of the confidence interval. The results indicate discriminant validity among the theoretical constructs.

Mediation Processing:

Step 1: Show that the corporate brand image is significant with the customer loyalty. As shown in Figure 2.

**Figure 2: The First Step of Mediation**

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| Corporate Brand Image | c = .74*** | Customer Loyalty |
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Step 2: Show that the corporate brand image is significant with the customer commitment. As shown in Figure 3.

**Figure 3: The Second Step of Mediation**

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| Corporate Brand Image | a = .68*** | Customer Commitment |
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Step 3: Show that the customer commitment significantly affects the customer loyalty. As shown in Figure 4.

**Figure 4: The Third Step of Mediation**

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| Corporate Brand Image | Customer Commitment | b = .64*** |
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Step 4: The value of c’ is smaller than c. If c’ is significant, data are consistent with partial mediation. If c’ is non-significant, data are consistent with complete mediation. As shown in Figure 5.
5. Conclusion

This study explores customer commitment as a mediating variable between corporate brand image and customer loyalty, following the four steps used by Baron and Kenny in 1986 to establish mediation. In the first step, the results show that corporate brand image is significantly correlated \( (c = .74^{***}) \) with customer loyalty. In the second step, we found that corporate brand image is significantly correlated \( (a = .68^{***}) \) with customer commitment. In the third step, we observed that customer commitment significantly \( (b = .64^{***}) \) affects customer loyalty. In the fourth and final step, the value of \( c' (0.30^{***}) \) is less than \( c \), but the value of \( c' \) is still significant, so commitment is a partially mediating variable in this study.

Previous researches have reported a positive relationship between corporate image and customer loyalty (Andreassen & Lindestad, 1998; Johnson et al., 2001). Shapiro (1982) reported that a good corporate image positively affects company sales and market share and leads to customer preference for a brand (Andreassen & Lindestad, 1998; Nguyen & Leblanc, 2001). Kaur and Soch (2013) posited that commitment is an important factor in the establishment of customer loyalty, and Eakuru and Mat (2008) reported that commitment has the strongest impact on the ability to predict customer loyalty. The results indicate that no single dimension directly affects customer loyalty. Future studies can measure other dimensions, such as satisfaction, customer-perceived value, or service quality, to test their mediation of customer loyalty. This study utilized SEM to provide the results. Future studies could use a different design to examine mediation effects suggested by theories, such as trust added, to explore other determinants of loyalty for the purpose of producing long-term customer satisfaction.

References


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**Appendix A**

**Corporate Brand Image:**

TOYOTA is a well-known brand.
TOYOTA carries products of high quality.
TOYOTA provides more products than its competitors.
TOYOTA makes you feeling above the value in price.
Driving TOYOTA makes you feeling sense of achievement and joy.

**Customer Commitment:**

I have a long-term relationship with TOYOTA.
I concern TOYOTA development and success.
I am proud to be a member of TOYOTA.
I am a TOYOTA loyal customer.
I am willing to participate in related activities of TOYOTA.

**Customer Loyalty:**

I say positive things of TOYOTA to other people.
I recommend friends to buy TOYOTA if they need cars.
I encourage friends to see TOYOTA agents before buying a car.
I am willing to buy TOYOTA even though it has no promotion.
If I want to buy a car again, TOYOTA is my first choice.